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COÖPERATION IN THE MARKETING OF AGRICULTURAL PRODUCE.

JOHN LEE COULTER.

I think no one will deny that a prosperous and well-satisfied agricultural class in charge of a highly developed agricultural industry is as necessary—if not more necessary—to the welfare of a great nation as perfection in any other industry. I believe that the Commission on Rural Life which has been investigating agricultural conditions will report that much must be done before we can say that the mass of farmers of the United States are satisfied, happy in their lot, and as substantial a foundation for national prosperity as might be desired. Not until the flow of population is reversed and is directed from city to country can we say that the country has caught up with or surpassed the city.

Some of the steps which should be taken and which would assist in the uplift of agriculture and the agricultural class are better educational facilities, better roads, more extended rural mail delivery, the parcels post, and better sanitary conditions. The local, state, or national government can at once make these improvements and thus perform their part in the general uplift. But this is not enough. The farmers must have more money with which to satisfy wants,—real wants which urban dwellers now satisfy but which rural dwellers must leave unsatisfied. What is needed is, first of all, a larger net income. Then the farmers could make fuller use of the schools placed at their disposal, could pay the charges of the parcel post and buy parcels to be carried, could subscribe

for farm papers and magazines and more fully utilize the rural mail delivery, could have horses and carriages or automobiles and use the better roads, which would do so much toward social betterment, and could maintain more sanitary homes.

Nor is it enough that the farmer should be enabled to fully use and appreciate these agencies or institutions established for him by governments. With a larger net income the farmer could have telephones, could encourage interurban electric lines, and use them from time to time in order to keep more nearly in touch with the economic, intellectual, and social developments of the cities. He could reduce some of the drudgery of farming by greater utilization of machinery, hire more and better labor, and give his children more and better educational advantages, improve his buildings and grounds, shorten his hours of labor, and in all directions raise the social, economic, and intellectual standing of the agricultural class.

We have noted two quite different ways of elevating the standing of the farmers,—the first by having the state establish agencies and institutions for their general uplift, the second by making possible a greater net income and thus making it possible for the farmers to utilize these things, and in other ways improve their conditions. But in order to have a larger net income the consumers must pay more for agricultural products or there must be greater economy in production. After a careful study of the economies and wastes of the present system of production, I do not believe that consumers need be called upon to pay a larger price for the produce. There must, therefore, be a greater economy in production.

I mean by production the creation of utilities,—whether they be form or time or place or elementary or possession

utilities. With this definition of production it will be seen that I include not only the first steps,—those which are performed on the farm,—but all steps taken in the creation of utilities and putting them into the hands of consumers. Thus it is clear that marketing is merely one of a series of steps in production, as also are the manufacturing processes, for example, milling of cereals, or packing of meats. All will admit that at the present time we have not nearly approached the most economic methods in many of the steps of production; and I believe that an important change in the business organization of some of the steps is desirable at the present time.

Agricultural colleges, experimental stations, individuals, and groups of individuals, have done so much in the last half century that the steps in production which are carried out on the farms have been developed to a very high standard. Putting into effect the results of successful experimentation would raise that phase to a state of perfection far above most industries. In many of the manufacturing processes referred to such success has been attained and such economy in these steps secured that little need be suggested in the way of improvements in these steps. It is, then, in the work of putting produce in form and getting it to the consumer in the case of such goods as do not pass through factories, and getting other produce to factories, and from the factories to consumers, that great waste occurs, if it occurs at any point.

Under the present system there is a great gap between the farmer and the consumer of his products, which is bridged by a complicated trading or distributive mechanism composed of local and terminal warehouses or elevators, railways, commission merchants, sometimes factories, brokers, and other middlemen. In bridging this gap there are two great classes of possible waste

which may occur and which may be briefly referred to. The first is in the gathering of the produce, sorting, grading and packing the same, storing it until wanted, and shipping it to the consumer. The second is in the organization of the marketing system, and includes terminal receiving, weighing, inspection, insuring, and buying and selling.

Whether the goods are to be changed by manufacturing processes such as milling, packing, canning, brewing, or any other form of change, or directly consumed, as in the case of much fruit, eggs, poultry, vegetables, etc., the time has come when grading, packing, and shipping associations are necessary. Some of the economies possible here are (1) collective sorting, grading, and packing the different grades of produce; (2) coöperative collecting of goods into sufficient quantities of uniform grade to command the better markets; (3) more effective bargaining with transportation companies for better rates, services, special cars, etc.; and (4) coöperative storing, mixing or separating, and handling of produce. Here we have not only economies which make possible larger net income for the farmers and a development of agriculture, but also a better service to consumers at the same prices.

Much has already been done in some European countries along this line and much is yet to be done. Much also has been accomplished in the United States,—for instance, in the cases of coöperative effort among the grape farmers of western New York, vegetable farmers of the South, and fruit growers of the West. The more recent movement of associations connected with the American Society of Equity, such as the peanut farmers, tobacco farmers, wheat farmers, and others of the North, and those connected with the Educational and Coöperative Union of the South, have in mind to make many of these savings.

As an illustration of the need of some such organized effort, we may refer to the fact that in Minneapolis in 1908 more than 25,000 pounds of diseased and decayed meats were taken from the markets by the meat inspector. Most of this was consignments to commission houses by farmers. Much of it arrived in the city in poor condition owing to the failure of the shippers to take proper precautions. Great waste in fruit, vegetables, dairy products, meat, and other perishable agricultural products are reported almost daily, on account of failure on the part of farmers to take proper precautions. Nor is the waste limited to the large class of perishable produce. Referring to the cereals the Minnesota grain inspector's report for the fiscal year 1905-6 showed that 4,111,749 bushels of foul seed, etc., were shipped to the terminals with wheat; and the report for 1906-7 shows that "of the 134,298 car-loads of spring wheat inspected "on arrival" at the several terminal points during the year 6,525 car-loads were docked one-half pound per bushel; 29,146 one pound; 28,079 one and one-half pounds; 25,634 two pounds; 13,306 two and one-half pounds; 12,889 three pounds; 18,133 over three and at an average of four pounds; and 586 were without any dockage,—the net average dockage being 32.2 per bushel as against 27.9 ounces the previous year."

From this it is clear that the farmers ship annually to the Minnesota terminals over 4,000,000 bushels of "dockage" with the wheat, pay freight on it to the extent of a third of a million dollars per year, haul it to the local stations, pay commission and storage on it, and then pass it over to the middlemen.

The supervising inspector of local warehouses says regarding the possibility of cleaning the grain before shipping, "It is feasible because practically all grain shipped

to the terminals is shipped through local houses and would be profitable in two ways; that of the farmer getting back his screenings, which he could use for feed; and in the large amount of freight that would be saved. One local warehouseman in this state told me that in one year he saved \$216 in freight by cleaning all grain that he bought, and the rate from his station was only 7½ cents per hundred."

Another illustration of the need for better organized effort among farmers is the fact that in 1907 out of a total of 223,873 cars shipped, 15,399 were reported by inspectors as in "bad order". Railroad companies should be required to supply cars, of the commonest kind, at least, which are not leaky. Many other illustrations of possible savings could be cited.

We may now refer briefly to the case where farm products pass through some manufacturing process between producers and consumers. In a more extended treatment the cases of perishable and non-perishable goods should be separately considered. The question of ownership of the factory is the most important one here. At the present time there is a very decided movement in the direction of control of these factories by the producers or consumers. Coöperative creameries and cheeseries in this country illustrate control by producers. Minnesota and Iowa have over 1000 coöperative creameries. Factories owned by wholesale and retail societies abroad illustrate control by consumers. Another move in the same direction is the purchase of stock in the factories by the producers or consumers. This makes possible a control of the factory policy. To illustrate we might note that in Germany of the 11,672,816 metric tons of beets delivered to the factories in 1905-6, 2,689,004 tons were grown by shareholders.

Referring to the second of the two general steps in the marketing system, — the commission business and speculation, I would ask this question: Is it not uneconomical? And even if it could be shown to be as economical as a system of bonded agents of shipping associations on good salaries, does it not harbor much of evil? Is there not a chance for some of these middlemen to betray the interests of clients and systematically overcharge for insurance, hauling, storing, etc.; or by buying for themselves when the markets are depressed only to sell to the detriment of both clients when markets are better, on account of knowledge of the market, may they not work to the detriment of both of the other classes? The presence of this great gap between the producer of all but possession utilities and the consumers must be admitted by all, and the chance to take advantage of the clients must also be admitted.

In this connection we might profitably think of the economies of coöperative fruit exchanges, as a result of withdrawing hundreds of agents or buyers of the commission houses from the field, as also of salesmen. The savings are comparable to those which would be possible if one milk man, having on hand several varieties of milk and cream, would serve all consumers in a certain district in place of the present expensive system,—or lack of system.

An analysis of the progress of the last century shows a rapid extension of the principles of division of labor, with comparatively less important changes in the actual processes of production. Every improvement in transportation, storing, or manufacturing, and every change in the wants of the people affecting their demand for goods of the kind under consideration, has complicated the distributive mechanism. But we can have continued

division of labor without having each process performed by a separate class on its own responsibility. With an effective system of coöperation, most parts of the present diffused marketing machinery could be managed by the farmers who produce the raw material.

This is desirable because of the economy, and also because of the effect which it would have upon the coöperators. Much of the monotony of the farm could be destroyed, social activities introduced, business-like methods developed, and the agricultural class raised to a higher plane of thought, feelings, and efficiency than now maintains.